

DRAFT MINUTES

Name of Meeting: Managed Care Advisory Committee

Date of Meeting: Wednesday, November 5, 2003

Length of Meeting: 4:15 – 5:45 PM

Location of Meeting: DMAS Board Room

Purpose of Meeting: The Semi-Annual Managed Care Advisory Committee (MAC) meeting was held with the attendance of various providers, advocates, and state agency staff, MCO representatives and others. The meeting is designed to discuss the status of the Medicaid managed care programs in Virginia, present information on current studies, projects, or issues and encourage open discussion and questions.

DMAS Attendees:

Patrick Finnerty	Cynthia Jones	Cheryl Roberts
Bryan Tomlinson	Mary Mitchell	Jim Cohen
Olivia Howell	Linda Nablo	Diane Hankins
Javier Menendez	Paula Margolis	Cindy Bowers
Diane Hankins	Katina Goodwyn	Donna Garrett
Alissa Nashwinter		

Other Attendees:

Robert Hurley	Raymona Barnes	Joseph Boatwright, MD
Nancy Bullock	Joan Corder-Mabe	Doug Gray
Bonita Hogue	Brett Jackson	Vickie Johnson-Scott
Julie Locke	April Kees	Joy Lombard
Jim Parrott	Megan Philpots-Padden	Helen Plaisance
Rick Shinn	Sherrie Smith	Rebecca Snead
Robert Sonnessa	Caryn Weir-Wiggins	Wayne Reynolds
Joy Yen, MD	Kim Barnes	Tim Jones

Call to Order

Bryan Tomlinson, Director Health Care Services Division, DMAS, opened the meeting and began by discussing that the upcoming presentations reflect hot and current topics in Managed Care. Introduced Dr. Robert Hurley and Rebecca Snead.

Cheryl Roberts, Deputy Director for Operations, DMAS, gave a brief history of the Managed Care Advisory Committee. Ms. Roberts discussed the draft of the Annual Performance Report and requested volunteers to review and comment on it in a timely manner. She also announced that Virginia Premier Health Plan had a very positive JCAHO accreditation review/interview.

Mr. Finnerty, Agency Director, DMAS, welcomed and thanked everyone for coming and gave additional background on the two presenters.

Mr. Tomlinson introduced Dr. Robert Hurley and presented a brief bio on him.

Dr. Robert Hurley, VCU, gave a presentation on Profiting from Proficiency: The Growing Importance of Medicaid-focused Managed Care Plans (A copy of the presentation follows the minutes.)

The full report is available on the Center for Health Care Strategies (CHCS) website www.chcs.org

Dr. Hurley began by discussing how health plans and states have encountered adversarial times and there is a need for partnership. Year 2005 will be a pivotal time for health plan finances and states will still in budget crisis mode.

The presentation reflects the third in series of studies for the Center for Health Care Strategies on the Medicaid Managed Care Marketplace. Robert Hurley, Michael McCue and Askar Chukmaitov conducted the study at VCU with funding from CHCS.

Trends in Medicaid are:

- Medicaid agencies remain strongly committed to HMO product/model
- Declining participation on commercial plans
- Increasing percentage of beneficiaries enrolled in plans with 75% of more Medicaid members
- Rise of publicly traded Medicaid-focused plans (Amerigroup, Centene, Molina, United/AmeriChoice)
- Concerns and questions about adequacy of performance of Medicaid-focused plans

These transitions are occurring due to commercial plans finding Medicaid to be a difficult market to adjust to and achieve success and the plans have dropped or deemphasized HMO's. Medicaid-focused plans have grown in size and sophistication and have become more proficient. A substantial number of Medicaid-focused plans are still provider-sponsored. Also investors have identified Medicaid as a market with opportunities for profits and growth.

Financial performance indicators are: Medical benefits ratio, amount of insurance paid out in medical expenses. Administrative cost ratio, amount of insurance revenues paid out in administrative costs. Operating profit margin, amount of profit earned from insurance revenues.

Non-financial performance indicators are: Composite score from the enrollee survey, overall rating of health plan, getting needed care, customer services and selected HEDIS prevention rates.

The analytical findings were: The product line profitability is modest and generally consistent across focus and ownership types and medical benefits (loss) ratios are comparable; provider sponsored plans may pay providers a little better. Some evidence of economies of scale is evident. Medicaid focused plans trail other plans in member satisfaction but similar on other performance measures and for-profit plans have better member ratings but not-for-profit plans score better on clinical and access measures.

The conclusions and implications are that further reliance on Medicaid-focused plans seems inevitable. Variation in plan participation across states remains. Concerns about the weakness of Medicaid focused plans are not borne out. Remaining plans are stronger, more sophisticated

and compliant. States and surviving plans are more interdependent. Investor-owned firms bolster market both directly and indirectly and are likely to grow revenues but it will be challenging to sustain profitability. Durability of prepaid Medicaid managed care market remains uncertain if state budget problems persist or worsen.

There were no questions for Dr. Hurley.

Rebecca Snead, Executive Director of the Virginia Pharmacists Association was introduced with a brief bio on her.

Rebecca Snead, VA Pharmacists Association gave a presentation on Medicaid Pharmacy Programs: Preparing for the Future (A copy of the presentation follows the minutes.)

States are facing deficits in the range of \$70 – 485 Billion for FY 2004. Between 1997 and 2000 Medicaid spending rose 7.7% per year and prescription drug spending rose 18.1% per year.

Three main cost drivers in the current environment are; Price increases for existing drugs, new drug launches, and increased utilization of new and existing drugs.

Current focus for managing the pharmacy benefit are; PDL, Target high utilizers (9 or more initiative), limit 34 days supply, increase co-pay for brand name drugs, and decrease reimbursement to pharmacies.

Future focuses for managing the pharmacy benefit are:

- Generic utilization – Dispensing generic drugs at a 52.0% rate has a potential cost saving of approximately \$4,256,967, at 55.0% rate the potential savings could be \$17,618,427.
- Prescribing patterns (focus on e-prescribing) - Electronic prescribing provides the provider with medication history to help make informed decisions regarding appropriate therapy. It also provides the ability to perform true prior authorization and to access real-world Medicaid pricing information.
- Persistency & compliance – A 2003 World Health Organization report states that only about 50% of people follow doctor's orders about taking their prescription drugs, and that number is as low as 40% for some conditions. The non-adherence appears to be the same across income and education demographics, and reasons include fear of side effects and not understanding doctor's orders.
- Self-care – A move from urgent care to self-care OTC medication is used to treat over 450 medical conditions, many of which occur 10s of millions a time per year (e.g., common cold, headache, fever, motion sickness, acne).

There were a few questions for Ms. Snead during the presentation in regards to the e-prescribing and electronic system.

The meeting was adjourned at 5:45 PM